

OVID-ELSIE AREA SCHOOLS
ELSIE, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf CPAs, PC

Serving You with Trust and Integrity

September 3, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Ovid Elsie Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid Elsie Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the school district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ovid Elsie Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid Elsie Area Schools as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 3, 2008 on our consideration of the Ovid Elsie Area Schools' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ovid Elsie Area Schools' basic financial statements. The additional information on pages 21 - 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf PC
LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Ovid Elsie Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements: (Continued)

These two statements report the Ovid Elsie Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	<u>NET ASSETS SUMMARY</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets	\$7,206,849	\$6,773,914
Non-Current Assets	<u>33,052,026</u>	<u>34,039,765</u>
<u>TOTAL ASSETS</u>	<u>\$40,258,875</u>	<u>\$40,813,679</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,719,170	\$2,403,504
Long-Term Liabilities	<u>32,690,496</u>	<u>33,145,111</u>
Total Liabilities	<u>\$35,409,666</u>	<u>\$35,548,615</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	(397,631)	358,446
Restricted - Debt Service	244,516	156,801
Restricted - Capital Projects	75,213	103,541
Unrestricted	<u>4,927,111</u>	<u>4,646,276</u>
Total Net Assets	<u>\$4,849,209</u>	<u>\$5,265,064</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$40,258,875</u>	<u>\$40,813,679</u>

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
REVENUES		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$684,563	\$654,938
Property Taxes Levied for Debt Service	1,882,028	1,775,996
State of Michigan Unrestricted Foundation Aid	12,174,405	11,857,316
Other General Revenues	<u>239,012</u>	<u>619,141</u>
Total General Revenues	\$14,980,008	\$14,907,391
<u>Operating Grants:</u>		
Federal	657,973	427,866
State of Michigan	1,049,803	1,174,104
Other Operating Grants	<u>359,401</u>	<u>357,631</u>
Total Operating Grants	\$2,067,177	\$1,959,601
<u>Charges for Services:</u>		
Food Service	278,611	291,133
Athletics	56,384	67,318
Other Charges for Services	<u>166,680</u>	<u>154,625</u>
Total Charges for Services	\$501,675	\$513,076
Total Revenues	\$17,548,860	\$17,380,068
EXPENSES		
Instruction & Instructional Support	8,424,818	7,757,132
Support Services	6,059,413	5,795,814
Community Services	182,440	310,330
Food Service	616,184	577,033
Athletics	254,636	268,029
Interest on Long-Term Debt	1,513,122	1,518,702
Bond Issuance Costs	119,121	0
Depreciation	<u>794,981</u>	<u>795,557</u>
Total Expenses	\$17,964,715	\$17,022,597
<u>INCREASE (DECREASE) IN NET ASSETS</u>	(\$415,855)	\$357,471
BEGINNING NET ASSETS	<u>5,265,064</u>	<u>4,907,593</u>
<u>ENDING NET ASSETS</u>	<u>\$4,849,209</u>	<u>\$5,265,064</u>

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets decreased by \$415,855 to a total of \$4,849,209. The largest portion of the net assets are the districts investment in fixed assets. Net assets (invested in capital assets, net of related debt) decreased by \$756,077 during the year due to increases in long-term debt and depreciation exceeding purchases of new capital assets and principal payments on related debt. The districts Unrestricted Net Assets increased by \$280,835 during the year and the restricted portion of the net assets increased by \$59,387. The restricted Net Assets consist of the debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenditures exceeded its revenues for the year by \$415,855. Total Revenues increased by \$168,792 or 1% over last years amounts. The major changes were increases in property taxes and federal grants. Expenditures increased by \$942,118. Major changes were due to bond issuance costs, salary and benefits increases, and food costs increases.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$291,709 during the year with the increase coming primarily from student enrollment and state aid increases. Revenues for the year increased by \$342,968 due to increases in state aid and federal grants. Expenditures for the year increased by \$625,604 due to salary and benefits increases. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Ovid Elsie Area Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 1,831 students. An decrease of 20 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9874 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$682,114. An increase of \$24,562 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual & Original Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$14,604,490	\$14,669,729	\$14,918,035	2.15	1.69
Expenditures	<u>14,326,575</u>	<u>14,620,324</u>	<u>14,626,326</u>	2.09	0.04
<u>TOTAL</u>	<u>\$277,915</u>	<u>\$49,405</u>	<u>\$291,709</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Ovid Elsie Area Schools amends its budget quarterly during the school year. For fiscal year June 30, 2008, the budget was amended in June, 2008. The June, 2008 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues and Expenditures

There were no significant variations between the original and final budget.

Actual Results vs. Final Budgets

Revenues and Expenditures

There were no significant variations between the final budget and actual.

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-07	Increases 6-30-08	Principal Payments 6-30-08	Principal Balance 6-30-08
Bonds Payable	\$31,144,314	\$7,045,000	\$8,245,000	\$29,944,314
MI School Bond Loan Fund	2,537,005	615,707	0	3,152,712
Unamortized Premium	0	352,631	0	352,631
Retirement Incentive	300,000	0	150,000	150,000
Unpaid Sick Days Payable	293,792	15,889	0	309,681
<u>Total Long-Term Bond Obligations</u>	<u>\$34,275,111</u>	<u>\$8,029,227</u>	<u>\$8,395,000</u>	<u>\$33,909,338</u>

2008 Refunding Bonds

On February 5, 2008, Ovid-Elsie Schools issued \$7,045,000 in General Obligation – Unlimited Tax Bonds with an average interest rates ranging from of 3.5% to 5.5%. The District issued the bonds to advance refund \$7,265,000 of the outstanding 1998 Bond Issue with an interest rate of 4.1% to 4.75%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all of the future debt service on the 1998 Bonds. As a result the 1998 Bond Issues are considered defeased and the District has removed the liability from its accounts. The advanced refunding was done in order to reduce debt payments. The balance of the bonds at June 30, 2008 was \$7,045,000.

Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 2002 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 2002 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2008 was \$3,152,712.

B. Capital Assets

The district's net investment in capital assets decreased by \$987,739 during the fiscal year. This can be summarized as follows:

	Balance 7-1-07	Additions	Deductions	Balance 6-30-08
Capital Assets	\$43,525,105	\$32,400	\$0	\$43,557,505
Less: Accumulated Depreciation	(9,485,340)	(1,020,139)	0	(10,505,479)
<u>Net Investment Capital Outlay</u>	<u>\$34,039,765</u>	<u>(\$987,739)</u>	<u>\$0</u>	<u>\$33,052,026</u>

Significant addition: copier.

OVID ELSIE AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$100 per pupil for the 08-09 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

The District's September 2008 enrollment is expected to decrease by 16 students

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues effect the rate for the Michigan School Personnel Retirement System. The rate for 08-09 will be 16.54%.

* The Ovid-Elsie Area Schools 2008/2009 adopted budget is as follows:

<u>REVENUE</u>	\$15,057,137
<u>EXPENDITURES</u>	<u>15,412,030</u>
<u>NET OVER BUDGET</u>	<u>(\$354,893)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Ovid Elsie Area Schools.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$829,541
Investments	3,759,339
Due from Other Governmental Units	2,616,283
Inventory	1,635
Prepaid Expenses	51
Total Current Assets	<u>\$7,206,849</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	43,557,505
Less: Accumulated Depreciation	<u>(10,505,479)</u>
Total Noncurrent Assets	<u>\$33,052,026</u>
<u>TOTAL ASSETS</u>	<u><u>\$40,258,875</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$257,873
Salaries Payable	1,036,317
Accrued Expenses	206,138
Current Portion of Long-Term Obligations	<u>1,218,842</u>
Total Current Liabilities	<u>\$2,719,170</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>32,690,496</u>
<u>TOTAL LIABILITIES</u>	<u>\$35,409,666</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(397,631)
Restricted for:	
Debt Service	244,516
Capital Projects	75,213
Unrestricted	<u>4,927,111</u>
<u>TOTAL NET ASSETS</u>	<u>\$4,849,209</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$40,258,875</u></u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$8,424,818	\$0	\$1,688,959	(\$6,735,859)
Support Services	6,059,413	21,763	63,830	(5,973,820)
Community Services	182,440	144,917	0	(37,523)
Food Service	616,184	278,611	314,388	(23,185)
Athletics	254,636	56,384	0	(198,252)
Interest Long-Term Obligations	1,513,122	0	0	(1,513,122)
Bond Issuance Costs	119,121	0	0	(119,121)
Depreciation - Unallocated	794,981	0	0	(794,981)
<u>TOTALS</u>	<u>\$17,964,715</u>	<u>\$501,675</u>	<u>\$2,067,177</u>	<u>(\$15,395,863)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	2,566,591
State Aid	12,174,405
Investment Earnings	190,521
Miscellaneous	48,491
Total General Revenues	<u>\$14,980,008</u>
Change in Net Assets	<u>(\$415,855)</u>
Net Assets - Beginning	<u>5,265,064</u>
<u>Net Assets - Ending</u>	<u>\$4,849,209</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$15,722	\$813,819	\$829,541
Investments	3,759,339	0	3,759,339
Due from Other Governmental Units	2,616,283	0	2,616,283
Inventory	0	1,635	1,635
Prepaid Expenses	51	0	51
<u>TOTAL ASSETS</u>	<u>\$6,391,395</u>	<u>\$815,454</u>	<u>\$7,206,849</u>
<u>LIABILITIES</u>			
Accounts Payable	\$257,873	\$0	\$257,873
Salaries Payable	1,036,317	0	1,036,317
Total Liabilities	\$1,294,190	\$0	\$1,294,190
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	1,635	1,635
Debt Retirement	0	244,516	244,516
Capital Projects	0	75,213	75,213
Unreserved:			
Undesignated, Reported In:			
General Fund	5,097,205	0	5,097,205
School Service Funds	0	494,090	494,090
Total Fund Balances	<u>\$5,097,205</u>	<u>\$815,454</u>	<u>\$5,912,659</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$6,391,395</u>	<u>\$815,454</u>	<u>\$7,206,849</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:			\$5,912,659
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$43,557,505 and the accumulated depreciation is \$1,505,479			
			33,052,026
Accrued Interest on Long-Term Debt			(206,138)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable	\$29,944,314		
MI School Bond Loan	3,152,712		
Bond Premium	352,631		
Retirement Incentive	150,000		
Compensated Absences Payable	309,681		
Total Long-Term Liabilities			(33,909,338)
<u>TOTAL NET ASSETS -</u>			\$4,849,209
<u>GOVERNMENTAL ACTIVITIES</u>			

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$990,841	\$2,316,437	\$3,307,278
State Sources	13,201,268	22,940	13,224,208
Federal Sources	366,525	291,448	657,973
Total Revenues	<u>\$14,558,634</u>	<u>\$2,630,825</u>	<u>\$17,189,459</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	8,568,247	0	8,568,247
Student Services	209,453	0	209,453
Instructional Support	415,174	0	415,174
General Administration	258,526	0	258,526
School Administration	1,096,916	0	1,096,916
Business Administration	470,726	0	470,726
Operation & Maintenance of Plant	1,616,243	0	1,616,243
Transportation	1,059,885	0	1,059,885
Support Services - Other	510,413	0	510,413
Community Services	182,440	0	182,440
Special Service Fund	0	849,375	849,375
Debt Service	0	2,265,384	2,265,384
Capital Outlay			
Construction Costs	0	29,659	29,659
Total Expenditures	<u>\$14,388,023</u>	<u>\$3,144,418</u>	<u>\$17,532,441</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$170,611	(\$513,593)	(\$342,982)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(176,516)	176,516	0
Loan Proceeds	0	7,530,130	7,530,130
Bond Premium		352,631	352,631
Payment to Escrow Agent	0	(7,374,510)	(7,374,510)
Issuance Costs	0	(119,121)	(119,121)
Other Transfers	297,614	(150,000)	147,614
Total Other Financing Sources (Uses)	<u>\$121,098</u>	<u>\$415,646</u>	<u>\$536,744</u>
Net Change in Fund Balance	<u>\$291,709</u>	<u>(\$97,947)</u>	<u>\$193,762</u>
<u>FUND BALANCE - BEGINNING</u>	<u>4,805,496</u>	<u>913,401</u>	<u>5,718,897</u>
<u>FUND BALANCE - ENDING</u>	<u>\$5,097,205</u>	<u>\$815,454</u>	<u>\$5,912,659</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$193,762
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(987,739)
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Bonds Proceeds	(7,660,707)
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Issuance of Bond Premium	(352,631)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	8,245,000
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Decrease in Retirement Incentive	150,000
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Change in accrued interest on long-term liabilities	12,349
---	--------

(Increase) in accrued compensated absences	(15,889)
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>(\$415,855)</u>
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OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

	Private Purpose Trusts			Trust & Agency	Total
	Expendable Trusts	Non-Expendable Trusts	Total		
<u>ASSETS</u>					
Cash and Cash Equivalents	\$114,668	\$13,551	\$128,219	\$165,728	\$293,947
<u>TOTAL ASSETS</u>	\$114,668	\$13,551	\$128,219	\$165,728	\$293,947
<u>LIABILITIES</u>					
Due to Student Groups	0	0	0	165,728	165,728
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$114,668</u>	<u>\$13,551</u>	<u>\$128,219</u>	<u>\$0</u>	<u>\$128,219</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Private Purpose Trusts		
	Expendable	Non-Expendable	Total
<u>ADDITIONS</u>			
Revenue from Contributions and Earnings	\$91,225	\$0	\$91,225
<u>DEDUCTIONS</u>			
Scholarships and Other Expenses	89,299	0	89,299
<u>CHANGE IN NET ASSETS</u>	\$1,926	\$0	\$1,926
<u>NET ASSETS - BEGINNING OF YEAR</u>	112,742	13,551	126,293
<u>NET ASSETS - END OF YEAR</u>	<u>\$114,668</u>	<u>\$13,551</u>	<u>\$128,219</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	\$0
Expenses	<u>0</u>

<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	\$0
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<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>13,551</u>
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<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u><u>\$13,551</u></u>
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See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,009,419	\$984,068	\$990,841	\$6,773
State Sources	12,829,163	12,959,735	13,201,268	241,533
Federal Sources	359,605	366,525	366,525	0
Total Revenues	\$14,198,187	\$14,310,328	\$14,558,634	\$248,306
<u>EXPENDITURES</u>				
Current:				
Instruction	8,274,207	8,568,247	8,568,247	0
Student Services	343,258	209,453	209,453	0
Instructional Support	739,327	415,174	415,174	0
General Administration	681,236	258,526	258,526	0
School Administration	1,103,639	1,094,416	1,096,916	(2,500)
Business Administration	88,500	467,224	470,726	(3,502)
Operation & Maintenance of Plant	1,605,700	1,616,243	1,616,243	0
Transportation	929,075	1,059,885	1,059,885	0
Support Services - Other	190,600	510,413	510,413	0
Community Services	319,533	182,440	182,440	0
Total Expenditures	\$14,275,075	\$14,382,021	\$14,388,023	(\$6,002)
Excess of Revenues (Under) Expenditures	(\$76,888)	(\$71,693)	\$170,611	\$242,304
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	\$277,915	\$49,405	\$291,709	\$242,304
<u>FUND BALANCE - BEGINNING</u>			4,805,496	
<u>FUND BALANCE - ENDING</u>			\$5,097,205	

See accompanying notes to the basic financial statements.

OID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ovid-Elsie Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund & Public Improvement Fund

The Capital Projects Fund and the Public Improvement Fund are used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 - 8 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

The District began the process of funding this liability and has recorded the amount in a special revenue fund.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds and capital projects fund, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements. No annual budget for capital projects funds are required and therefore are not presented.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MIMAX	\$3,759,339	0.0027	AAAm	100.00%

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,129,356 of the District's bank balance of \$1,597,478 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$293,947	\$ 1,123,488
Investments	<u>3,759,339</u>
<u>TOTAL</u>	<u>\$ 4,882,827</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trusts	\$ 128,219
Cash Agency Fund	165,728
Cash – District Wide	829,541
Investments – District Wide	<u>3,759,339</u>
<u>TOTAL</u>	<u>\$ 4,882,827</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	<u>\$ 2,616,283</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2008.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$39,547,524	\$0	\$0	\$39,547,524
Land Improvements	831,524	0	0	831,524
Equipment and Furniture	1,410,669	32,400	0	1,443,069
Vehicles	1,735,388	0	0	1,735,388
Totals at Historical Cost	\$43,525,105	\$32,400	\$0	\$43,557,505
Less: Accumulated Depreciation				
Buildings and Improvements	(6,614,361)	(788,208)	0	(7,402,569)
Land Improvements	(511,763)	(32,889)	0	(544,652)
Equipment and Furniture	(869,927)	(140,433)	0	(1,010,360)
Vehicles	(1,489,289)	(58,609)	0	(1,547,898)
Total Accumulated Depreciation	(\$9,485,340)	(\$1,020,139)	\$0	(\$10,505,479)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$34,039,765</u>	<u>(\$987,739)</u>	<u>\$0</u>	<u>\$33,052,026</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 6,571
Support Services	197,142
Food Service	1,492
Athletics	19,953
Unallocated	794,981
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 1,020,139</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 43,557,505
Less: Accumulated Depreciation	(10,505,479)
Less: Long-Term Liabilities	(33,909,338)
Retirement Incentive	150,000
Sick & Vacation Pay	<u>309,681</u>
 <u>TOTAL</u>	 <u>\$ (397,631)</u>

10) GENERAL LONG-TERM DEBT

A) Prior Period Defeasance

On December 1, 1999, the District defeased certain obligation bonds by placing the proceeds of the new general obligation bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's government-wide financial statements. On June 30, 2008, \$5,295,000 of bonds outstanding are considered defeased.

B) General Obligation Bonds Payable

Ovid-Elsie Area Schools has issued General Obligation Bonds dated November 20, 2002, in the amount of \$24,300,000, bearing interest at rates varying from 2.00% to 5.00% per annum. These bonds were issued for the purpose of erecting, furnishing, equipping an addition or additions to and partially remodeling, refurbishing and re-equipping the EE Knight, Leonard and North Elementary Schools and High School; constructing improvements to the playgrounds; acquiring and installing educational technology; expanding and remodeling bus maintenance garage and constructing improvements to outdoor athletic facilities. The principal balance at June 30, 2008 was \$3,860,000.

C) Durant Resolution Package Bonds

Ovid-Elsie Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$210,537 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2008 was \$124,314.

D) 2005 REFUNDING BONDS

On December 13, 2005, Ovid-Elsie Schools issued \$9,450,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.5% to 4.125%. The District issued the bonds to advance refund \$8,740,000 of the outstanding 2002 Bond Issue with an interest rate of 5.05%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2002 Bonds. As a result, a portion of the 2002 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,310,000 at June 30, 2008.

E) 2006 REFUNDING BONDS

On February 2, 2006, Ovid-Elsie Schools issued \$9,605,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.4% to 4.5%. The District issued the bonds to advance refund \$9,305,000 of the outstanding 2002 Bond Issue with an interest rate of 5.05%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2002 Bonds. As a result, a portion of the 2002 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,605,000 at June 30, 2008.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

10) GENERAL LONG-TERM DEBT (Continued)

F) 2008 REFUNDING BONDS

On February 5, 2008, Ovid-Elsie Schools issued \$7,045,000 in General Obligation – Unlimited Tax Bonds with an average interest rates ranging from of 3.5% to 5.5%. The District issued the bonds to advance refund \$7,265,000 of the outstanding 1998 Bond Issue with an interest rate of 4.1% to 4.75%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all of the future debt service on the 1998 Bonds. As a result the 1998 Bond Issues are considered defeased and the District has removed the liability from its accounts. The advanced refunding was done in order to reduce debt payments. The refunding decreased the District's total debt service payments by \$498,394. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$389,760. The balance of the bonds at June 30, 2008 was \$7,045,000.

G) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 2002 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 2002 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2008 was \$3,152,712.

H) Retirement Incentive

The School District offered a retirement incentive to certain employee groups during the year ended June 30, 2007. The eligible employees who elected to retire will receive payments in each of the following three years. The total obligation was \$450,000. The balance to be paid at June 30, 2008 is \$150,000.

I) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2008 are as follows:

	Michigan					
	Bonds Payable	School Bond Loan Fund	Unamortized Premium	Retirement Incentive	Interest	Total
June 30, 2009	\$1,041,717	\$0	\$27,125	\$150,000	\$1,239,898	\$2,458,740
June 30, 2010	1,097,274	0	27,125	0	1,204,137	2,328,536
June 30, 2011	1,167,859	0	27,125	0	1,165,280	2,360,264
June 30, 2012	1,278,352	0	27,125	0	1,147,992	2,453,469
June 30, 2013	1,269,112	0	27,125	0	1,078,800	2,375,037
June 30, 2014-2018	7,040,000	0	135,625	0	4,550,511	11,726,136
June 30, 2019-2023	6,965,000	0	81,381	0	2,938,220	9,984,601
June 30, 2024-2028	5,555,000	0	0	0	1,709,010	7,264,010
June 30, 2029-2032	4,530,000	0	0	0	504,640	5,034,640
Thereafter	0	3,152,712	0	0	0	3,152,712
<u>TOTAL</u>	<u>\$29,944,314</u>	<u>\$3,152,712</u>	<u>\$352,631</u>	<u>\$150,000</u>	<u>\$15,538,488</u>	<u>\$49,138,145</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,284,668.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

10) GENERAL LONG-TERM DEBT (Continued)

J) Changes in General Long-Term Debt

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due in One Year
Governmental Activities:					
General Obligation & Durant					
Bonds Payable	\$31,144,314	\$7,045,000	\$8,245,000	\$29,944,314	\$1,041,717
MI School Bond Loan Fund	2,537,005	615,707	0	3,152,712	0
Unamortized Premium	0	352,631	0	352,631	27,125
Retirement Incentive	300,000	0	150,000	150,000	150,000
Unpaid Sick Days Payable	293,792	15,889	0	309,681	0
<u>Total Governmental Activities</u>	<u>\$34,275,111</u>	<u>\$8,029,227</u>	<u>\$8,395,000</u>	<u>\$33,909,338</u>	<u>\$1,218,842</u>

11) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	General Fund
Athletic Fund	<u>\$176,516</u>

These transfers were made to subsidize the cost of services for athletics.

12) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

12) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$1,388,222, \$1,341,401 and \$1,298,291, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

13) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property, and casualty, theft, damage to various tort, liability, and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incur in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

14) CONTINGENCIES AND COMMITMENTS

The district participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2008, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	Special Revenue Funds	Debt Service Funds	Public Improvement Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$494,090	\$244,516	\$75,213	\$813,819
Inventory	1,635	0	0	1,635
<u>TOTAL ASSETS</u>	<u>\$495,725</u>	<u>\$244,516</u>	<u>\$75,213</u>	<u>\$815,454</u>
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	\$1,635	\$0	\$0	\$1,635
Debt Retirement	0	244,516	0	244,516
Capital Projects	0	0	75,213	75,213
Unreserved:				
Undesignated, Reported In:				
School Service Fund	494,090	0	0	494,090
Total Fund Balances				
<u>TOTAL FUND BALANCES</u>	<u>\$495,725</u>	<u>\$244,516</u>	<u>\$75,213</u>	<u>\$815,454</u>

OID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Funds	Public Improvement Fund	Total Other Governmental Funds
REVENUES				
Local Sources	\$351,137	\$1,963,969	\$1,331	\$2,316,437
State Sources	22,940	0	0	22,940
Federal Sources	291,448	0	0	291,448
Total Revenues	\$665,525	\$1,963,969	\$1,331	\$2,630,825
OTHER FINANCING SOURCES (USES)				
Transfer from (to) Other Funds	176,516	0	0	176,516
Loan Proceeds	0	7,530,130	0	7,530,130
Bond Premium	0	352,631	0	352,631
Payment to Escrow Agent	0	(7,374,510)	0	(7,374,510)
Issuance Costs	0	(119,121)	0	(119,121)
Other Transfers	(150,000)	0	0	(150,000)
Total Other Financing Sources (Uses)	\$26,516	\$389,130	\$0	\$415,646
Total Revenues & Other Financing Sources (Uses)	\$692,041	\$2,353,099	\$1,331	\$3,046,471
EXPENDITURES				
Food Service	849,375	0	0	849,375
Debt Service	0	2,265,384	0	2,265,384
Capital Outlay	0	0	29,659	29,659
Total Expenditures	\$849,375	\$2,265,384	\$29,659	\$3,144,418
Net Change in Fund Balance	(\$157,334)	\$87,715	(\$28,328)	(\$97,947)
NET ASSETS - BEGINNING	653,059	156,801	103,541	913,401
NET ASSETS - ENDING	\$495,725	\$244,516	\$75,213	\$815,454

OVID-ELSIE SCHOOLS - ELSIE, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Post Employment Benefits</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$43,605	\$3,484	\$447,001	\$494,090
Inventory	<u>1,635</u>	<u>0</u>	<u>0</u>	<u>1,635</u>
<u>TOTAL ASSETS</u>	<u>\$45,240</u>	<u>\$3,484</u>	<u>\$447,001</u>	<u>\$495,725</u>
<u>FUND EQUITY</u>				
Fund Balance - Reserved for Inventory	\$1,635	\$0	\$0	\$1,635
Fund Balance - Unreserved and Undesignated	<u>43,605</u>	<u>3,484</u>	<u>447,001</u>	<u>494,090</u>
Total Fund Equity				
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$45,240</u>	<u>\$3,484</u>	<u>\$447,001</u>	<u>\$495,725</u>

OID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	Food Services	Athletic Activities	Post Employment Benefits	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$278,611	\$0	\$0	\$278,611
Athletic Activities	0	56,384	0	56,384
Earnings on Investments	561	0	6,629	7,190
Other Revenue	5,318	3,634	0	8,952
Total Local Sources	\$284,490	\$60,018	\$6,629	\$351,137
<u>State Sources</u>				
State Reimbursements	22,940	0	0	22,940
<u>Federal Sources</u>				
Federal Reimbursements	291,448	0	0	291,448
Total Revenues	\$598,878	\$60,018	\$6,629	\$665,525
<u>OTHER FINANCING SOURCES</u>				
Transfers from Other Funds	0	176,516	0	176,516
Total Revenues and Other Financing Sources	\$598,878	\$236,534	\$6,629	\$842,041
<u>EXPENDITURES</u>				
Salaries - Professional	23,742	143,653	0	167,395
Salaries - Non-Professional	141,189	0	0	141,189
Insurances	67,622	0	0	67,622
Fica, Retirement, Etc.	40,354	32,864	0	73,218
Other Benefits	1,650	0	0	1,650
Purchased Services	17,431	31,352	0	48,783
Supplies and Materials	322,704	17,473	0	340,177
Other	0	9,341	0	9,341
Total Expenditures	\$614,692	\$234,683	\$0	\$849,375
<u>OTHER FINANCING USES</u>				
Debt Payment	0	0	150,000	150,000
Total Expenditures and Other Financing Uses	\$614,692	\$234,683	\$150,000	\$999,375
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>(\$15,814)</u>	<u>\$1,851</u>	<u>(\$143,371)</u>	<u>(\$157,334)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$61,054</u>	<u>\$1,633</u>	<u>\$590,372</u>	<u>\$653,059</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$45,240</u>	<u>\$3,484</u>	<u>\$447,001</u>	<u>\$495,725</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	<u>1998</u> <u>Debt</u>	<u>2002</u> <u>Debt</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$161,192</u>	<u>\$83,324</u>	<u>\$244,516</u>
<u>FUND EQUITY</u>			
Reserved - Debt Retirement	<u>\$161,192</u>	<u>\$83,324</u>	<u>\$244,516</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	1998 Debt	2002 Debt	2005 Debt	2006 Debt	2008 Debt	Total After Interfund Eliminations
<u>REVENUES</u>						
<u>Local Sources</u>						
Property Tax Levy	\$677,419	\$1,204,609	\$0	\$0	\$0	\$1,882,028
Earnings on Investments	1,804	76,770	0	0	0	78,574
Other Revenue	249	3,118	0	0	0	3,367
Total Local Sources	\$679,472	\$1,284,497	\$0	\$0	\$0	\$1,963,969
<u>OTHER FINANCING SOURCES</u>						
Loan Proceeds	108,000	377,130	0	0	7,045,000	7,530,130
Bond Premium	0	0	0	0	352,631	352,631
Transfers from Other Funds	70,990	0	414,332	426,842	165,746	0
Total Other Financing Sources	\$178,990	\$377,130	\$414,332	\$426,842	\$7,563,377	\$7,882,761
Total Revenues and Other Financing Sources	\$858,462	\$1,661,627	\$414,332	\$426,842	\$7,563,377	\$9,846,730
<u>EXPENDITURES</u>						
Redemption of Bond Principal	410,000	530,000	40,000	0	0	980,000
Interest on Bonded Debt	252,090	161,658	374,332	426,842	69,746	1,284,668
Dues and Fees	0	716	0	0	0	716
Total Expenditures	\$662,090	\$692,374	\$414,332	\$426,842	\$69,746	\$2,265,384
<u>OTHER FINANCING USES</u>						
Transfers to Other Funds	96,000	981,910	0	0	0	0
Payment to Escrow Agent	0	0	0	0	7,374,510	7,374,510
Issuance Costs	0	0	0	0	119,121	119,121
Total Other Financing Uses	\$96,000	\$981,910	\$0	\$0	\$7,493,631	\$7,493,631
Total Expenditures and Other Financing Uses	\$758,090	\$1,674,284	\$414,332	\$426,842	\$7,563,377	\$9,759,015
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>						
	\$100,372	(\$12,657)	\$0	\$0	\$0	\$87,715
<u>FUND BALANCE - BEGINNING</u>						
	\$60,820	\$95,981	\$0	\$0	\$0	\$156,801
<u>FUND BALANCE - ENDING</u>						
	\$161,192	\$83,324	\$0	\$0	\$0	\$244,516

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

OID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2007	RECEIPTS	DISBURSEMENTS	JUNE 30, 2008
Alternative Education	\$141	\$727	\$589	\$279
Alumni Account	1,005	497	452	1,050
Art Club	43	4,247	4,281	9
Athletic Account	1,680	18,615	16,933	3,362
Band Account	3,956	32,201	32,728	3,429
Baseball Account	1,550	5,804	6,245	1,109
Basketball/Boys	582	4,110	3,773	919
Basketball/Girls	3,063	15,142	15,127	3,078
Bookstore	1,310	515	882	943
Cash for Checks	1,245	214	1,459	0
Cheerleaders	1,963	1,428	774	2,617
Class of 2007	293	0	293	0
Class of 2008	4,547	4,444	7,585	1,406
Class of 2009	2,749	11,343	10,516	3,576
Class of 2010	1,971	1,511	613	2,869
Class of 2011	0	2,773	1,260	1,513
Community Education	502	225	229	498
Computer - Aided Draft	492	9,161	1,917	7,736
Crisis Response	0	200	21	179
Cross Country	1,581	2,449	2,719	1,311
E.E. Knight Elementary	6,628	28,705	31,749	3,584
E.E. Knight P/T Group	0	24,483	7,960	16,523
F.F.A.	1,864	28,863	30,350	377
Football	1,724	4,692	5,544	872
Foreign Language Club	73	422	460	35
Golf Team	4,280	0	0	4,280
Guidance Account	6,787	2,868	4,965	4,690
H.S. Account	2,960	6,014	8,142	832
Interest Account	6,357	1,380	2,271	5,466
K-8 Libraries	1,168	10,503	10,046	1,625
Leonard Elementary	9,408	50,297	56,050	3,655
Library	8,479	3,517	1,480	10,516
Marauderettes - Football	420	150	161	409
Movie Night	1,265	8,504	8,807	962
National Honors Society	467	838	911	394
O-E Mat Club	302	822	523	601
O-E Mens' B'Ball	478	0	0	478
O-E Middle School	29,350	23,559	24,123	28,786
O-E Music Boosters	8,304	25,180	19,259	14,225
P.A.L.S.	146	0	17	129
Poms (Marauderettes)	709	332	240	801
Purple Melon	2,233	0	1,045	1,188
Sub-Total	\$122,075	\$336,735	\$322,499	\$136,311

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2008

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2007	RECEIPTS	DISBURSEMENTS	JUNE 30, 2008
Renaissance Account	\$4,282	\$0	\$137	\$4,145
School Improvement	7,243	4,526	8,105	3,664
Shop Account	1,785	6,920	7,704	1,001
Soccer	1,077	0	100	977
Soccer Fundraiser	170	507	269	408
Softball	467	2,080	2,547	0
Stage Lighting	188	100	8	280
Student Council	9,589	11,494	17,401	3,682
Summer School	0	2,904	1,580	1,324
Swim and Guard	1,226	1,684	1,573	1,337
Teacher's Pop	1,364	438	1,245	557
Tennis Account	350	165	166	349
Track Club	1,109	5,700	6,371	438
TV-13 Account	1,285	625	346	1,564
Volleyball	4	7,040	7,007	37
W.O.E.S. Radio	2,071	9,264	8,575	2,760
Yearbook	3,261	14,691	11,058	6,894
<u>TOTALS</u>	<u>\$157,546</u>	<u>\$404,873</u>	<u>\$396,691</u>	<u>\$165,728</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - SCHOLARSHIP FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>CLARK ESTATE FUND</u>		
<u>BALANCE - JULY 1, 2007</u>		\$9,033
<u>RECEIPTS</u>		
Interest		<u>137</u>
<u>BALANCE - JUNE 30, 2008</u>		<u>\$9,170</u>
<u>BYRON GREEN MEMORIAL FUND</u>		
<u>BALANCE - JULY 1, 2007</u>		\$4,844
<u>RECEIPTS</u>		
Interest		23
Donations		<u>2,000</u>
Total Receipts		\$2,023
<u>DISBURSEMENTS</u>		
Scholarships		<u>3,000</u>
<u>BALANCE - JUNE 30, 2008</u>		<u>\$3,867</u>
<u>JACK BOWER MEMORIAL FUND</u>		
<u>BALANCE - JULY 1, 2007</u>		\$4,729
<u>RECEIPTS</u>		
Interest		<u>50</u>
<u>BALANCE - JUNE 30, 2008</u>		<u>\$4,779</u>
<u>MARY L. GUMAER SCHOLARSHIP FUND</u>		
<u>BALANCE - JULY 1, 2007</u>		\$18,976
<u>RECEIPTS</u>		
Donations		18,374
<u>DISBURSEMENTS</u>		<u>17,910</u>
<u>BALANCE - JUNE 30, 2008</u>		<u>\$19,440</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - SCHOLARSHIP FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>DAVID G. GOODRICH SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2007</u>	\$46,540
<u>RECEIPTS</u>	
Interest	298
Donations	42,072
Total Receipts	<u>\$42,370</u>
<u>DISBURSEMENTS</u>	<u>42,350</u>
<u>BALANCE - JUNE 30, 2008</u>	<u>\$46,560</u>
<u>FRED & FLORENCE DENGLER SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2007</u>	\$28,620
<u>RECEIPTS</u>	
Donations	28,271
<u>DISBURSEMENTS</u>	<u>26,039</u>
<u>BALANCE - JUNE 30, 2008</u>	<u>\$30,852</u>
<u>CAMPBELL MEMORIAL LIBRARY FUND - NON-EXPENDABLE TRUST</u>	
<u>BALANCE - JULY 1, 2007</u>	\$13,551
<u>RECEIPTS</u>	
Interest	0
<u>DISBURSEMENTS</u>	<u>0</u>
<u>BALANCE - JUNE 30, 2008</u>	<u>\$13,551</u>
<u>ALL SCHOLARSHIP FUNDS</u>	
<u>BALANCE - JUNE 30, 2008</u>	<u>\$128,219</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$210,537

	INTEREST REQUIREMENT	INTEREST RATE	PRINCIPAL REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2009	\$3,068	4.761353%	\$11,717	\$14,785
2010	2,510	4.761353%	12,274	14,784
2011	1,926	4.761353%	12,859	14,785
2012	25,983	4.761353%	73,352	99,335
2013	672	4.761353%	14,112	14,784
<u>TOTAL</u>	<u>\$34,159</u>		<u>\$124,314</u>	<u>\$158,473</u>

Bonds issued November 20, 2002, and outstanding as of June 30, 2008, consisted of:

2002 SCHOOL BUILDING & SITE BONDS

<u>PAYMENT DATE</u>	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
2008-2009	\$72,548	\$72,548	3.350%	\$565,000	\$710,096
2009-2010	63,084	63,084	3.550%	595,000	721,168
2010-2011	52,523	52,523	3.650%	630,000	735,046
2011-2012	41,025	41,025	3.750%	660,000	742,050
2012-2013	28,650	28,650	4.000%	690,000	747,300
2013-2014	14,850	14,850	4.125%	720,000	749,700
<u>TOTAL</u>	<u>\$272,680</u>	<u>\$272,680</u>		<u>\$3,860,000</u>	<u>\$4,405,360</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

Bonds issued December 13, 2005, and outstanding as of June 30, 2008, consisted of:

2005 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$186,466	\$186,466	3.500%	\$40,000	\$412,932
2009-2010	185,766	185,766	3.500%	45,000	416,532
2010-2011	184,978	184,978	3.500%	45,000	414,956
2011-2012	184,191	184,191	3.625%	45,000	413,382
2012-2013	183,375	183,375	4.000%	50,000	416,750
2013-2014	182,375	182,375	4.000%	50,000	414,750
2014-2015	181,375	181,375	4.000%	50,000	412,750
2015-2016	180,375	180,375	4.000%	55,000	415,750
2016-2017	179,275	179,275	4.000%	865,000	1,223,550
2017-2018	161,975	161,975	4.000%	885,000	1,208,950
2018-2019	144,275	144,275	4.000%	910,000	1,198,550
2019-2020	126,075	126,075	4.000%	930,000	1,182,150
2020-2021	107,475	107,475	4.000%	945,000	1,159,950
2021-2022	88,575	88,575	4.000%	1,115,000	1,292,150
2022-2023	66,275	66,275	4.000%	1,105,000	1,237,550
2023-2024	44,175	44,175	4.000%	1,095,000	1,183,350
2024-2025	22,275	22,275	4.125%	1,080,000	1,124,550
<u>TOTAL</u>	<u>\$2,409,276</u>	<u>\$2,409,276</u>		<u>\$9,310,000</u>	<u>\$14,128,552</u>

OID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

Bonds issued February 2, 2006, and outstanding as of June 30, 2008, consisted of:

2006 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$213,421	\$213,421	0.000%	\$0	\$426,842
2009-2010	213,421	213,421	0.000%	0	426,842
2010-2011	213,421	213,421	3.400%	25,000	451,842
2011-2012	212,996	212,996	3.500%	25,000	450,992
2012-2013	212,559	212,559	3.600%	25,000	450,118
2013-2014	212,109	212,109	3.700%	25,000	449,218
2014-2015	211,646	211,646	5.000%	785,000	1,208,292
2015-2016	192,021	192,021	5.000%	810,000	1,194,042
2016-2017	171,771	171,771	0.000%	0	343,542
2017-2018	171,771	171,771	0.000%	0	343,542
2018-2019	171,771	171,771	0.000%	0	343,542
2019-2020	171,771	171,771	0.000%	0	343,542
2020-2021	171,771	171,771	0.000%	0	343,542
2021-2022	171,771	171,771	0.000%	0	343,542
2022-2023	171,771	171,771	0.000%	0	343,542
2023-2024	171,771	171,771	0.000%	0	343,542
2024-2025	171,771	171,771	0.000%	0	343,542
2025-2026	171,771	171,771	4.150%	1,130,000	1,473,542
2026-2027	148,324	148,324	4.250%	1,125,000	1,421,648
2027-2028	124,418	124,418	4.300%	1,125,000	1,373,836
2028-2029	100,230	100,230	4.350%	1,125,000	1,325,460
2029-2030	75,761	75,761	4.400%	1,135,000	1,286,522
2030-2031	50,791	50,791	4.450%	1,135,000	1,236,582
2031-2032	25,538	25,538	4.500%	1,135,000	1,186,076
<u>TOTAL</u>	<u>\$3,924,366</u>	<u>\$3,924,366</u>		<u>\$9,605,000</u>	<u>\$17,453,732</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

Bonds issued February 5, 2008, and outstanding as of June 30, 2008, consisted of:

2008 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$145,980	\$145,980	3.500%	\$425,000	\$716,960
2009-2010	138,542	138,543	3.500%	445,000	722,085
2010-2011	130,755	130,755	3.500%	455,000	716,510
2011-2012	122,793	122,792	3.500%	475,000	720,585
2012-2013	114,480	114,480	3.500%	490,000	718,960
2013-2014	105,905	105,905	3.500%	510,000	721,810
2014-2015	96,980	96,980	4.000%	525,000	718,960
2015-2016	86,480	86,480	5.500%	555,000	727,960
2016-2017	71,218	71,217	5.500%	585,000	727,435
2017-2018	55,130	55,130	5.500%	620,000	730,260
2018-2019	38,080	38,080	3.650%	640,000	716,160
2019-2020	26,400	26,400	4.000%	665,000	717,800
2020-2021	13,100	13,100	4.000%	655,000	681,200
<u>TOTAL</u>	<u>\$1,145,843</u>	<u>\$1,145,842</u>		<u>\$7,045,000</u>	<u>\$9,336,685</u>

OVID-ELSIE AREA SCHOOLS

ELSIE, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPA& PC

Serving You with Trust and Integrity

September 3, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Ovid Elsie Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid Elsie Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the Ovid Elsie Area Schools' basic financial statements and have issued our report thereon dated September 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ovid Elsie Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ovid Elsie Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ovid Elsie Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ovid Elsie Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Ovid Elsie Area Schools' financial statements that is more than inconsequential will not be prevented or detected by the Ovid Elsie Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Ovid Elsie Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ovid Elsie Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Ovid Elsie Area Schools

Page 2

September 3, 2008

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, PC.

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September 3, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Ovid Elsie Area Schools

Compliance

We have audited the compliance of Ovid Elsie Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Ovid Elsie Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ovid Elsie Area Schools' management. Our responsibility is to express an opinion on Ovid Elsie Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ovid Elsie Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ovid Elsie Area Schools' compliance with those requirements.

In our opinion, Ovid Elsie Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Ovid Elsie Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ovid Elsie Area Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ovid Elsie Area Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Ovid Elsie Area Schools

Page 2

September 3, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid Elsie Area Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 3, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Ovid Elsie Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Education Agencies	84.010		
ESEA Title I - Regular (07-08)		71530-0607	\$24,505
ESEA Title I - Regular (07-08)		81530-0708	243,862
Total Title I Grants to Local Education Agencies			<u>\$268,367</u>
 Title V - Innovative Education Programs	 84.298		
Title V LEA Allocation (07-08)		80250-0708	377
 Technology Literacy Challenge (07-08)	 84.318	 84290-0708	 2,292
 Title II A - Teacher Quality	 84.367		
Improving Teacher Quality (07-08)		80520-0708	<u>90,561</u>
 <u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			 \$361,597
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	31,605
Bonus Commodities		N/A	11,545
Total Food Distribution			<u>\$43,150</u>
 School Breakfast Program	 10.553	 N/A	 61,664
 National School Lunch Program	 10.555	 N/A	 196,695
 <u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			 \$301,509
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Clinton County RESA			
Medical Assistance Program Title XIX	93.778		
Medicaid Outreach Claims		N/A	<u>42,776</u>
 <u>TOTAL FEDERAL AWARDS</u>			 <u>\$705,882</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$0	\$96,936	\$71,813	\$0	\$71,813	\$0
0	0	169,325	0	169,325	0
<u>\$0</u>	<u>\$96,936</u>	<u>\$241,138</u>	<u>\$0</u>	<u>\$241,138</u>	<u>\$0</u>
0	0	377	0	377	0
0	0	2,292	0	2,292	0
<u>0</u>	<u>0</u>	<u>79,942</u>	<u>0</u>	<u>79,942</u>	<u>0</u>
\$0	\$96,936	\$323,749	\$0	\$323,749	\$0
0	0	21,544	0	21,544	0
0	0	11,545	0	11,545	0
<u>\$0</u>	<u>\$0</u>	<u>\$33,089</u>	<u>\$0</u>	<u>\$33,089</u>	<u>\$0</u>
0	0	61,664	0	61,664	0
<u>0</u>	<u>0</u>	<u>196,695</u>	<u>0</u>	<u>196,695</u>	<u>0</u>
\$0	\$0	\$291,448	\$0	\$291,448	\$0
0	0	42,776	0	42,776	0
<u>\$0</u>	<u>\$96,936</u>	<u>\$657,973</u>	<u>\$0</u>	<u>\$657,973</u>	<u>\$0</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

\$657,973

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund	\$366,525
School Service Fund	<u>291,448</u>
<u>TOTAL</u>	<u>\$657,973</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Current Payments Per the Grant Section Auditor's Report	
(Form R 7120)	\$258,359
Cash Management System	323,749
Total	<u>\$582,108</u>
 <u>Add:</u> Passed Through Clinton County RESA	
Medicaid Outreach Claims (CFDA 93.778)	42,776
 Entitlement and Bonus Commodities (CFDA #10.550)	<u>33,089</u>
 <u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>	 <u><u>\$657,973</u></u>

OID ELSIE AREA SCHOOLS- ELSIE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Is a “going concern” explanatory paragraph included in the audit report? ☐ Yes ☒ No
- Is a significant deficiency disclosed? ☐ Yes ☒ No
- Is any Significant deficiency reported as a material weaknesses? ☐ Yes ☒ None reported
- Is a material noncompliance disclosed? ☐ Yes ☒ No

Federal Awards

- Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00
- Did the auditee qualify as a low-risk auditee? ☐ Yes ☒ No
- Is a significant deficiency disclosed for any major program? ☐ Yes ☒ No
- Is any significant deficiency reported for any major program as a material weakness? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
10.553/10.555

Name of Federal Program or Cluster
Title I Grants to Local Education Agencies
Nutrition Cluster

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

The auditee did not qualify for a single audit for the year ended June 30, 2007.